



**STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF MENTAL RETARDATION SERVICES
ANDREW JACKSON BUILDING, 15TH FLOOR
500 DEADERICK STREET
NASHVILLE, TENNESSEE 37243**

May 13, 2008

Dear Provider Agencies:

As I have stated for the past several months and with the heightened media coverage, I am sure you are aware of the state of Tennessee's revenue shortfall. Unfortunately, the trend of diminished revenue collections is expected throughout the next fiscal year.

For the current fiscal year collections are expected to be well below estimates. Looking to Fiscal Year 2008-2009 beginning July 1st, the estimated shortfall requires the budget to be reduced by approximately \$500 million.

Many of you, as well as all other Division of Mental Retardation Services (DMRS) stakeholders and many legislators have frequently inquired as to why I did not request additional funding for the Division rather than implement the 6.1 percent rate reduction in payments to providers in the Statewide Home and Community-based (Main) Waiver. Based on the present fiscal climate you can understand more fully the steps I took in addressing the DMRS budget situation.

I appreciate the difficulty you have experienced in providing services as a result of the rate reduction. From the implementation on January 1st to present the reduction has been evaluated each month based on the premise that as the average daily cost was drawn down, the rate reduction would be reduced accordingly.

DMRS has worked closely with providers in affecting cost reduction. Your input and effort has proven invaluable. Now, following a review of the latest numbers we have more clarity of our financial status and can take the following action:

- Effective for the months of May and June 2008 the 6.1 percent rate reduction will be eliminated and providers will be reimbursed for the total amount of qualified claims
- For the first quarter of Fiscal Year 2008-2009 (July, August and September) providers will be reimbursed for the total amount of qualified claims
- Following the conclusion of Fiscal Year 2008-2009's first quarter, the Division's financial status will be re-evaluated based on the average daily cost of services to determine whether another rate reduction will be necessary

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It is my hope that the average daily cost of services in the Main Waiver will continue trending downward, and that the controls we have implemented and those we will have in place soon, will alleviate the need for a future rate reduction. It must be clearly understood, it is more critical now than ever before that we manage within budget.

In addition to the rate reduction, I realize that the issue of the interim payment / loan program is a source of concern. As I indicated last year DMRS will no longer be able to offer the loan program after June 30, 2008. To assist with cash flow, beginning in July 2008, the billing system will be enhanced to allow for two payment cycles during the month.

I realize the discontinuation of the loan program may cause some financial hardship. Therefore, DMRS will not automatically deduct the loan that was received in the current fiscal year from the payments for services in May and June, 2008. Deductions will begin with the July 2008 services payment.

If a provider prefers to pay all or some portion of the loan before July 15, 2008, please contact Harry Broughman at 615-532-6652 or email Harry.H.Broughman@state.tn.us to make arrangements.

Some providers will not be in a financial position to pay the entire loan balance by June 30, 2009. If this is your agency's situation, please contact DMRS Assistant Commissioner Fred Hix at 615-253-6710 or email Fred.Hix@state.tn.us to develop an alternate payment schedule.

Providers (Day, Personal Assistance and Residential) that will participate in the College of Direct Support will be able to deduct that program's cost for the first two years from the loan repayment. This deduction will not exceed five percent of the loan balance as of May 1, 2008.

On behalf of everyone at DMRS, I thank all providers for the commitment and dedication exhibited the past months. There are many challenges ahead, but I have no doubt that through our cooperative effort there is no situation that we can not render a positive outcome.

Sincerely,



Stephen H. Norris
Deputy Commissioner

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